

Message Text

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C O N F I D E N T I A L NEW DELHI 9193

E.O. 11652: GDS

TAGS: PINT, IN

SUBJ: SOUTH INDIAN INDUSTRIALIST COMMENTS ON MEETING

WITH MRS. GANDHI

FOLLOWING TEL FM MADRAS 0922 TD 9 JULY 1975 SENT NEW
DELHI INFO BOMBAY CALCUTTA REPEATED YOU:

QUOTE

C O N F I D E N T I A L MADRAS 0922

E.O. 11652: GDS

TAGS: PINT, IN

SUBJECT: SOUTH INDIAN INDUSTRIALIST COMMENTS ON MEETING

WITH MRS. GANDHI

1. M.V. ARUNACHALAM, A LEADING SOUTH INDIAN INDUSTRIALIST AND
FICCI VICE PRESIDENT, WHO PARTICIPATED IN THE JULY 7 MEETING OF
INDUSTRIALISTS WITH MRS. GANDHI, MADE THE FOLLOWING OBSERVATIONS TO
ECONOMIC OFFICER ATCHLEY AND ME AND OTHERS AT A SOCIAL GATHERING
LAST NIGHT.

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2. THE PRIME MINISTER HAD BEEN ANXIOUS TO EMPHASIZE THAT SHE WAS OPERATING ENTIRELY WITHIN THE CONSTITUTION. NOBODY AT THE MEETING VOLUNTEERED ANY ENDORSEMENT OF HER ACTION IN PROCLAIMING THE EMERGENCY. (ARUNACHALAM SAID HE TOLD HER HE PERSONALLY DID NOT AGREE WITH HER SUSPENSION OF CIVIL LIBERTIES AND ALL THE ARRESTS, BUT IT WAS NOT CLEAR TO US WHETHER HE SAID THIS AT THE MEETING OR PRIVATELY). THE INDUSTRIALISTS EXPRESSED STRONG INTEREST IN ACTIONS THAT MIGHT GET THE ECONOMY GOING, BUT REFUSED TO FAWN OVER HER. SHE TOLD THEM SHE BELIEVED SHE SHOULD HAVE DONE WHAT SHE DID TWO YEARS AGO, AND THAT SHE HAD BEEN "GUILTY OF TOO MUCH TOLERANCE."

3. MRS. GANDHI TOLD THE INDUSTRIALISTS SHE BELIEVED INDIA SHOULD HAVE A CENTRIST GOVERNMENT, NOT A RIGHTIST OR LEFTIST ONE, AND SAID THIS WAS WITHIN THE FOUR WALLS AND NOT FOR PUBLIC CONSUMPTION. SHE REMINDED ONE QUESTIONER THAT SHE HAD SAID CENTRIST, BUT NOT TO EXPECT HER TO GIVE UP HER SOCIALIST POLICIES.

4. MRS. GANDHI LISTENED INTENTLY FOR THE FIRST TIME TO WHAT BUSINESSMEN HAD TO SAY. SHE DID NOT GLAZE OVER AND THEN TELL THEM WHAT SHE HAD DECIDED THEY WOULD DO ANYWAY, BUT SEEMED GENUINELY INTERESTED IN OBTAINING GUIDANCE.

5. ARUNACHALAM SAID THAT MRS. GANDHI KNOWS THAT SHE NEEDS POSITIVE ACTION AND PERFORMANCE IN THE ECONOMY TO JUSTIFY HER EMERGENCY ACTIONS, AND SHE IS GENUINELY INTERESTED IN GETTING THE COOPERATION OF BOTH LABOR AND BUSINESS. BUSINESSMEN HAVE THEIR BEST CHANCE EVER OF EXERCISING INFLUENCE OVER THE NATION'S POLICIES BECAUSE SHE NEEDS THEM POLITICALLY MORE THAN SHE EVER DID.

6. ARUNACHALAM THINKS SHE WILL RECONVENE PARLIAMENT IN AUGUST BECAUSE SHE MUST TO KEEP THE EMERGENCY IN FORCE. BUT SHE WILL NOT HOLD ELECTIONS UNTIL SHE FEELS THERE HAS BEEN ENOUGH DEMONSTRATED IMPROVEMENT IN THE ECONOMIC AREA TO COMPENSATE FOR THE POLITICAL LOSS ENGENDERED BY HER REPRESSIVE MEASURES. HE BELIEVES SHE WILL HAVE TO KEEP THE EMERGENCY FOR AT LEAST ONE YEAR IN ORDER TO SHOW ANY REAL ECONOMIC RESULTS. (SOME OTHER BUSINESSMEN WHO WERE LISTENING TO ARUNACHALAM SAID THEY THOUGHT A MINIMUM OF TWO YEARS WOULD BE NEEDED).

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7. ACCORDING TO ARUNACHALAM, MRS. GANDHI'S PRINCIPAL ECONOMIC ADVISERS ARE INDUSTRIES MINISTER PAI, FINANCE MINISTER SUBRAMANIAM, DHAR AND HAKSAR.

8. WHEN ONE BUSINESSMAN IN OUR GROUP LAST NIGHT SUGGESTED TO ARUNACHALAM THAT FICCI SHOULD BE LESS ENTHUSIASTIC ABOUT COMING FORWARD WITH STATEMENTS PRAISING THE PRIME MINISTER ON HER ECONOMIC MEASURES, ARUNACHALAM SAID THE JULY 1 STATEMENT

BY A FICCI SPOKESMAN HAD NOT BEEN VOLUNTEERED BUT HAD BEEN SOLICITED BY THE GOVERNMENT. HE SAID THAT HE, AS ACTING FICCI PRESIDENT AT THE TIME, HAD REFUSED TO ISSUE A FORMAL STATEMENT.

9. ARUNACHALAM AGREED WITH THE OBSERVATION THAT IN THE PRESENT SITUATION ACCEPTABLE FOREIGN INVESTMENT PROPOSALS HAD A BETTER CHANCE THAN EVER OF BEING CLEARED WITH A MINIMUM OF RED TAPE AND DELAY, YET AMERICAN AND OTHER INVESTORS WERE LIKELY TO TURN EVEN MORE NEGATIVE ON INDIA THAN BEFORE AS THEY READ ACCOUNTS OF THE EMERGENCY IN THE WESTERN PRESS. HE SAID IF GOI HANDLING OF ONE OR TWO SIGNIFICANT CASES GAVE PROOF THAT FOREIGN INVESTMENT PROPOSALS WOULD INDEED RECEIVE QUICKER AND MORE PRAGMATIC TREATMENT, HE WOULD LIKE TO GET THE WORD OUT TO THE U.S. CHAMBER OF COMMERCE VIA THE ECONOMIC JOINT SUB-COMMISSION.

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